

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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R 161425Z AUG 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 550

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

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E.O. 11652 N/A

TAGS: SW PINT

SUBJECT: NEW SWEDISH TAX PROPOSALS

BEGIN UNCLASSIFIED

SUMMARY. JUST ONE MONTH BEFORE SWEDEN'S GENERAL ELECTION GOS REPRESENTED BY PM PALME AND FINMIN STRANG ON AUG 15 ANNOUNCED ITS INTENTION TO RELIEVE TAX BURDENS ON WAGE-EARNERS, INCREASE OLD-AGE PENSIONS, AND SHIFT BURDEN TO COMPANIES. STATED PURPOSE OF PROPOSAL IS TO INCREASE TAKE-HOME PAY, THEREBY DAMPENING DEMANDS IN NATIONAL WAGE NEGOTIATIONS SCHEDULED TO BEGIN IN NOVEMBER. END SUMMARY.

1. UNDER GOVERNMENT PLAN RELIEF FOR TAXPAYER WILL BE ACHIEVED BY ABOLISHING PENSION CONTRIBUTIONS PAID BY INDIVIDUALS AS PART OF REGULAR WITHHOLDING FROM PAYCHECK. THIS CONTRIBUTION PRESENTLY AMOUNTS TO FIVE PERCENT OF GROSS INCOME (MAXIMUM 1500 KRONOR, 7\$375). PEOPLE EARNING MORE THAN SKR 35,000 (ABOUT 8500 DOLLARS) ANNUALLY WILL THUS HAVE 1500 MORE KRONOR IN TAKE-HOME
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PAY, WHILE THOSE EARNING LESS WILL HAVE CORRESPONDINGLY

LESS. REVENUE LOSS WILL BE MADE UP BY INTRODUCTION OF SPECIAL SOCIAL INSURANCE FEE OF 3.3 PERCENT OF PAYROLL TO BE PAID BY EMPLOYERS. PLAN IS INTENDED TO BECOME EFFECTIVE JANUARY 1, 1974.

2. THE PENSIONERS, THOSE OVER 67, WHO DO NOT PAY PENSION CONTRIBUTIONS, WILL GET SOME RELIEF BY HAVING THEIR PENSIONS SLIGHTLY INCREASED. THERE IS NO INDICATION HOW THIS PART OF PROPOSAL WILL BE FUNDED.

3. STRANG PRESENTED PROPOSAL NOT AS DRAFT LEGISLATION OR EVEN AS A TAX PROPOSAL BUT RATHER AS INITIALLY A PROPOSAL FOR MANAGEMENT AND LABOR TO CONSIDER IN THE UPCOMING NATIONAL WAGE NEGOTIATIONS, WHICH START IN NOVEMBER. SWEDEN'S BIG CENTRAL TRADE-UNION ORGANIZATION (LO) AND THE ASSOCIATION OF WHITE COLLAR WORKERS (TCO) HAVE ALREADY INDICATED THEY ACCEPT PROPOSALS. LO CHAIRMAN NILSSON HAS EARLIER EXPRESSED DISSATISFACTION WITH THE PRESENT HIGH TAXES.

4. THE FOUR OTHER PARTIES IN THE RIKSDAG INITIALLY INDICATED OPPOSITION TO THE TAX PROPOSALS. THE THREE "BOURGEOIS" PARTIES SAY THAT IT DOES NOT GO TO THE HEART OF TAX PROBLEM, WHICH IS THE HEAVY "MARGINAL TAX" WHICH EFFECTIVELY TAKES AWAY FROM WAGE-EARNERS MOST OF ANY WAGE-INCREASES OBTAINED. THE LEFT COMMUNIST PARTY (VPK) ANNOUNCED OPPOSITION TO SOCDEM PLAN ON GROUNDS THE LOWEST INCOME WORKERS ARE NOT SUFFICIENTLY HELPED. TO BECOME EFFECTIVE BY NEXT YEAR GOVERNMENT PLAN WOULD HAVE TO BE SUBMITTED TO RIKSDAG AFTER SEPT 16 ELECTION AND ENACTED BY THAT LAME "DUCK" PARLIAMENT BEFORE YEAR END. THUS, IF VPK JOINS WITH NON-SOCIALIST BLOC, OPPOSITION COULD KILL THE PLAN. END UNCLASSIFIED.

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COMMENT. THIS PROPOSAL IS OBVIOUSLY A MAJOR STROKE IN ELECTION CAMPAIGN, ALTHOUGH SOCDEMS SAY IT IS NOT. IT IS AN ATTEMPT TO NEUTRALIZE THE HIGH-TAX ISSUE - ONE OF THE MOST POTENT IN THE OPPOSITION ARSENAL - WITH THE LIMITED OFFICIAL USE

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CONCRETE PROSPECT OF MEASURABLE RELIEF FOR THE TAXPAYER. THE SOCDEMS NOW PROMISE THE AVERAGE WORKER ABOUT SKR 1500 (\$375) MORE IN HIS POCKET NEXT YEAR - IN EFFECT AN 8.8 PERCENT RISE IN THE AVERAGE MAN'S TAKE-HOME PAY - IF THEIR PROGRAM IS CARRIED OUT. THIS IS ALMOST ENOUGH FOR A SMALL COLOR TV SET.

NOT ALL SOCDEM LEADERS AND PUBLICISTS ARE HAPPY ABOUT

PALME-STRANG INITIATIVE. SOME FEAR IT WILL BOOMERANG BY RENDERING MORE ACUTE THE UNEMPLOYMENT ISSUE WHICH, ACCORDING TO POLLS, IS BIGGEST ISSUE WITH VOTERS.

JULY UNEMPLOYMENT FIGURES RELEASED TODAY BY STATISTICAL BUREAU SHOW UNEMPLOYMENT TOTALING 82,000 OR 2 PERCENT OF WORK FORCE - UP 8,000 OVER JUNE TOTAL. TOTAL UNEMPLOYMENT IN JULY WAS SLIGHTLY HIGHER THAN THAT IN JULY 1972 EVEN THOUGH 1970-72 SWEDISH RECESSION HAS LONG SINCE BOTOMMED.

PROSPECT OF HAVING HIS LABOR COSTS RISE 3.3 PERCENT WILL, OF COURSE, BE A POSITIVE DISINCENTIVE FOR EMPLOYER TO HIRE NEW WORKERS, AND OPPOSITION WILL NOT FAIL TO POINT OUT WHAT THIS MEANS TO THE JOB HUNTER. SOCDEM STRATEGISTS PRESUMABLY JUDGE THAT CURRENT CYCLICAL UPTURN IN SWEDISH ECONOMY WILL MEAN MORE JOBS REGARDLESS, AND IN ANY EVENT IMMEDIATE PROSPECT OF MORE MONEY IN POCKET OF TAXPAYER WILL MORE THAN OFFSET GENERALIZED UNEMPLOYMENT ANXIETIES AT THE POLLS.

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